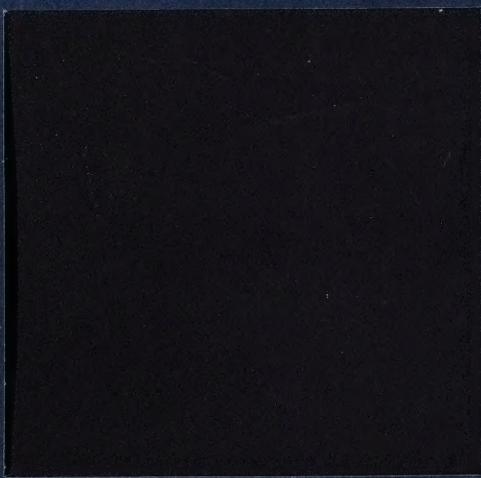


AR32





*Christmas season traffic on the Champs Elysees  
symbolizes Europe's exploding automotive market,  
typical of fast-growing business areas overseas  
served by Borg-Warner, a world corporation.*



## **Contents**

<b>Year in brief</b>	<b>3</b>
Sales, earnings, and share earnings all were at record levels for Borg-Warner in 1969.	
<b>Management message</b>	<b>4</b>
Comments from the Chairman and the President about Borg-Warner's first billion-dollar year and a decade of major changes.	
<b>Review of operations</b>	<b>6</b>
In the decade of the 60s, Borg-Warner became a world corporation, with sales outside the U. S. growing from 6 per cent to more than 27 per cent of the total. On succeeding pages are reports of the operations in 1969 of Borg-Warner's four major product groups, with all illustrations depicting markets, applications or facilities located outside the United States.	
<b>Financial review</b>	<b>19</b>
Net sales \$1.09 billion, operating profit up 12.2 per cent. Interest costs 36 per cent higher. Pre-tax earnings up 12.2 per cent on a 5.8 per cent increase in sales. Income taxes rose 20 per cent, bringing net earnings to \$52 million, up 5.2 per cent, a new record. Share earnings \$2.65, also a record, versus \$2.49 in 1968.	
<b>Earnings statement</b>	<b>22</b>
<b>Balance sheet</b>	<b>23</b>
<b>Source and use of funds</b>	<b>24</b>
<b>Notes to financial statements</b>	<b>25</b>
<b>Accountants' report</b>	<b>26</b>
<b>Ten-year summary</b>	<b>27</b>
Charts of cash flow, capital expenditures and R & D investments on Page 27, followed by ten-year balance sheet and operating statistics.	
<b>Product groups</b>	<b>30</b>
Listing of the principal divisions and subsidiaries of Borg-Warner Corporation.	
<b>Officers and directors</b>	<b>32</b>

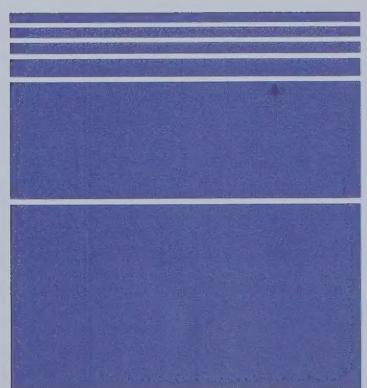
ON THE COVER and at top of page opposite, the symbols of Borg-Warner's major product groups: Chemicals and plastics, air conditioning and building products, industrial and steel products, and automotive equipment.

**BORG-WARNER CORPORATION ANNUAL REPORT**  
for the year ended December 31, 1969



**The Year in Brief**

	1969	1968
Net sales	<b>\$1,086,972,507</b>	\$1,027,739,736
Earnings before income taxes	<b>\$ 103,142,033</b>	\$ 92,037,164
Provision for income taxes	<b>51,094,000</b>	42,561,000
Net earnings	<b>\$ 52,048,033</b>	\$ 49,476,164
Dividends	<b>24,827,637</b>	24,226,435
Net earnings retained in business	<b>\$ 27,220,396</b>	\$ 25,249,729
Earnings per share of common stock (fully diluted)	<b>\$2.65</b>	\$2.49
Dividends paid per share of common stock	<b>1.25</b>	1.25
Capital expenditures	<b>\$ 51,474,586</b>	\$ 45,362,325
Net working capital	<b>\$ 313,045,297</b>	\$ 296,194,099
Shareholders' equity	<b>\$ 543,755,803</b>	\$ 528,210,669
Book value per share of common stock	<b>27.49</b>	26.10
Average number of common shares outstanding	<b>19,622,863</b>	19,893,002
Number of shareholders at year end	<b>65,700</b>	66,700
Average number of employees world-wide	<b>41,550</b>	39,550



**How the 1969 sales dollar was spent**

A	A-Dividends paid	.023¢
B	B-Net earnings retained in business	.025¢
C	C-Depreciation & amortization	.029¢
D	D-U.S. & foreign income taxes, state & local	.049¢
E	E-Wages, salaries & fringe benefits	.339¢
F	F-Materials, supplies & services purchased	.535¢

## To the Shareholders:



The Borg-Warner Building on Michigan Avenue is the backdrop as Chairman Robert S. Ingersoll (left) and President James F. Beré are photographed from a window at the Chicago Art Institute.

BORG-WARNER ends the 1960 decade on an upbeat. Sales in 1969 crossed the billion dollar mark the first time, and earnings were at record levels. In this ten-year period we became a world corporation, with Borg-Warner technology and investment aiding the progress and economy of many lands. This trend will be accelerated.

In 1969, there was progress on many fronts. Sales climbed to a record level despite reduced demand in many areas, and pre-tax earnings, also a record, increased at double the sales increase.

Sales and earnings continued to grow at a faster rate outside the United States, adding further geographic balance to our product diversification, and steps taken in 1969 will set the stage for further growth. This will come not only in air conditioning and chemicals, our fastest growing product lines, but also in some industrial and automotive lines, especially automatic transmissions, where Borg-Warner is a world leader and the largest supplier.

We completed three acquisitions in 1969, in industrial, automotive and chemical areas, all with potential for expansion and growth coordinated with other divisions. We increased our commitment in two areas serving human needs, health and education.

### Growth of sales and income

All Borg-Warner product groups as they are now constituted contributed to higher sales and, with one exception, to improved earnings for 1969.

Chemicals and plastics continued as the fastest-growing product group, aided by increased use of ABS plastics in larger products such as recreation vehicles.

Despite the decline in housing starts, the air conditioning and building products group increased sales over 1968, when Norge Division sales that year are taken out. Growth of the home remodeling market and of apartment construction were major factors, along with increased preference for York equipment in the U.S. and overseas.

Although industrial equipment group sales were up, earnings were off slightly, as a result of lower aerospace and farm equipment orders. Steel sales were sharply increased, and this group operated profitably after two years of heavy start-up costs.

Despite a decline in U.S. vehicle output, Borg-Warner automotive equipment sales were up in this country and overseas. Our broad product lines, diversity of markets, and the boom in vehicle sales overseas, where Borg-Warner is well established, were major factors.

#### Faster growth abroad

The following table shows the more rapid growth of sales and earnings outside the United States for Borg-Warner:

(Millions)	1969	1968	
Net sales, U.S.	\$ 908.9	\$ 888.5	+ 2.3%
Net sales, foreign	197.2	154.9	+27.3%
	1,086.9	1,027.7	+ 5.8%
Net income, U.S.	46.1	44.2	+ 4.3%
Net income, foreign	5.9	5.3	+13.1%
	52.0	49.5	+ 5.2%

Costs of the rapid expansion account for the lower return abroad, and for the fact that income is not yet growing as fast as sales, but in the long run, this trend will reverse.

As shown on the chart on the next page, sales outside the United States, including exports, were \$298 million, or over 27

per cent of the total. Sales of foreign subsidiaries not consolidated would add about \$58 million more to this amount.

#### Plants expanded

Elsewhere in this Report we show the heavy capital investments of recent years, which we expect will contribute significantly to future growth. To further improve efficiency and provide capacity for the products most in demand, this program was continued in 1969. It included projects to double capacity for ABS plastics in Europe and increase it significantly in the U.S.; expanded automatic transmission capacity in the United Kingdom and Australia.

The merger with Stephens-Adamson Mfg. Co., whose products complement Borg-Warner's industrial lines, was completed as was a merger with Weston Chemical Company, to provide further chemical diversification. We purchased The Tillotson Manufacturing Company, which makes carburetors for recreational vehicles and boats.

We made progress in forming joint ventures abroad in the automotive and air conditioning equipment areas, and negotiations are under way for an automatic transmission joint venture in West Germany.

#### Organization changes

The following organization changes were made since the last Annual Report: James J. Gavin, Jr., Vice President for Finance, was elected a director of Borg-Warner. Allen C. Menke was elected Group Vice President. James H. Ingersoll was elected Vice President-International, succeeding Andrew W. Rose, who retired March 1, 1970. Mr. Ingersoll also will be president of Borg-Warner International Corporation.

Other new division presidents are John C. Moynes, Morse Chain; Frank E. Pilling, Automotive Parts; and George Wiese, Travel Industries. Elmer D. Robinson was elected Chairman of Stephens-Adamson and of Morse Chain.

We note with sadness the death in 1969 of Paul H. Davis, one of the men who helped form Borg-Warner Corporation in 1928, and who served as a director until his retirement in 1968.

#### Long-range outlook excellent

As this Report is written it is difficult to make any forecast of operating results for 1970. The outlook is clouded by the uncertain course of the economy and by the possibility of strikes at our plants and some of our customers' plants. We are confident that we should perform at or above the level of the economy, and we will continue to invest in new plants and equipment for expansion.

In February we learned that American Motors will buy its automatic transmissions from another automobile maker after June of 1971. This will not affect 1970 results, and will amount to about 1.5 per cent of sales for 1971, which should be more than made up by other automotive sales increases.

On a longer-term basis, the outlook is good. The moves we describe in this Report all relate to our objective of achieving a more rapid growth of sales and earnings in the next decade than at any period in the past. We are confident it will be done.

Respectfully submitted,

*Robert S. Ingersoll* CHAIRMAN  
*James F. Bue* PRESIDENT



Flags of Borg-Warner's four major product areas, in colors which correspond to those on product mix chart, below right, show the locations of more than 100 facilities.

## In 1960 decade, Borg-Warner became a world corporation

On the map above, showing the Borg-Warner facilities listed in the back of this Report, are more than 100 flags on

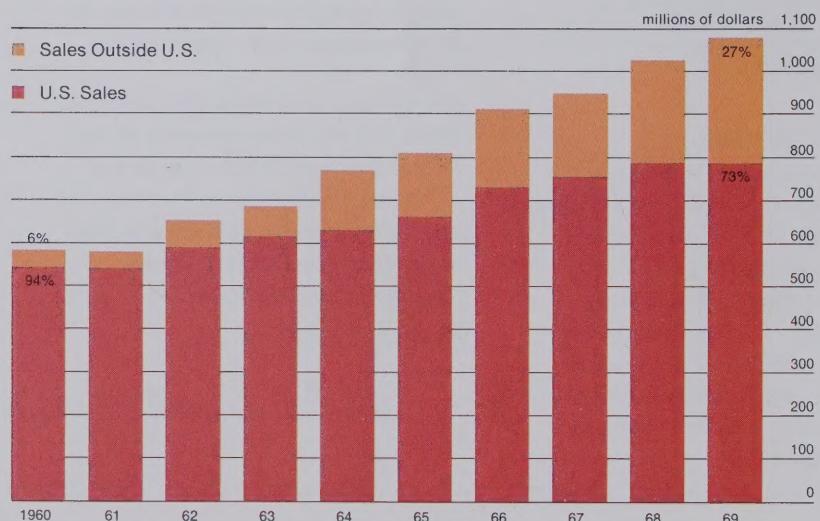
six continents, in 22 countries. More than half are outside the United States.

A count of corresponding units in 1960 would show 42 facilities, with 13 outside the U. S. and already in seven nations and four continents.

More than the growth of sales shown on the chart on this page, this rapid growth

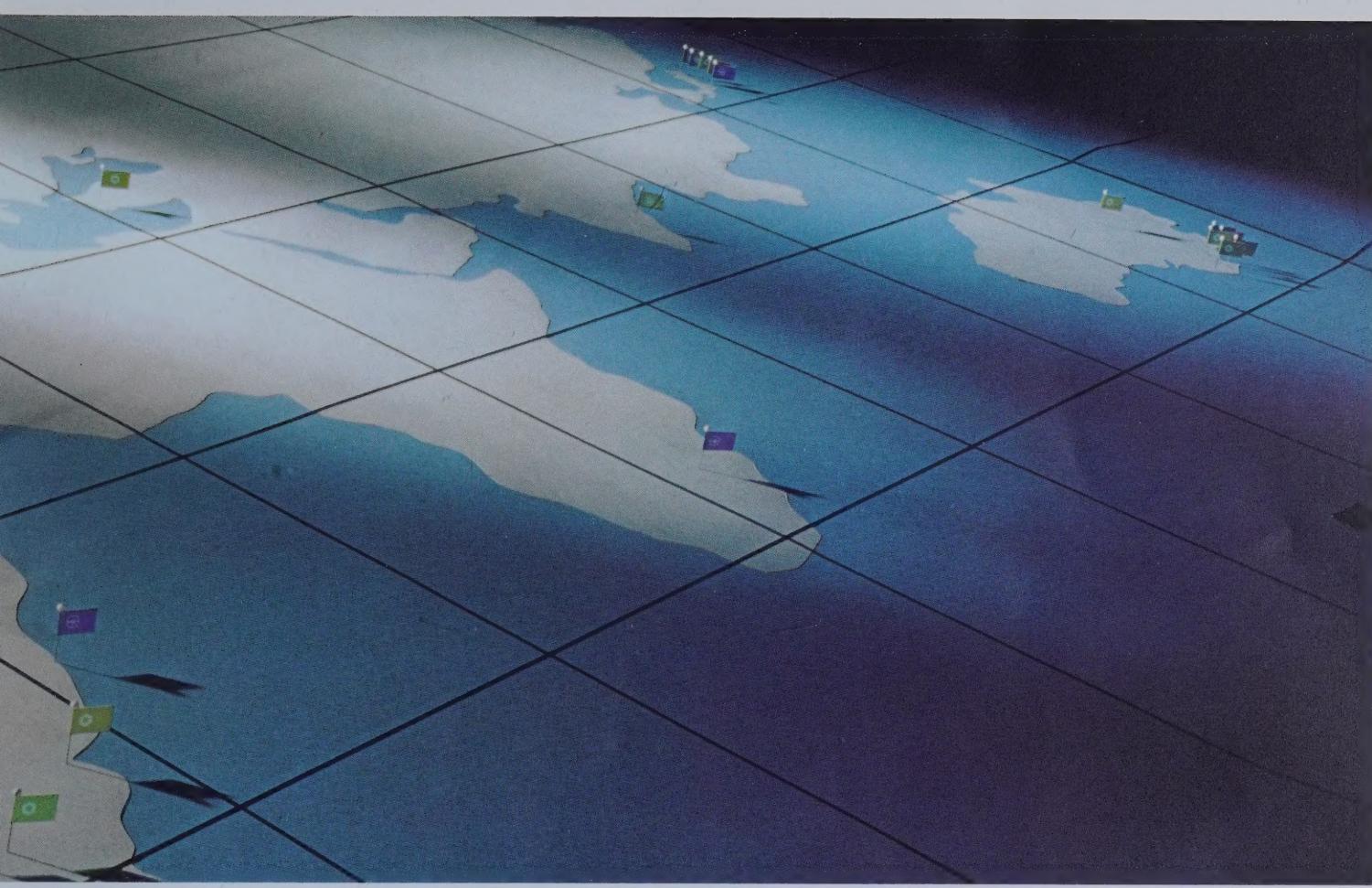
of base facilities, from a foothold established by the start of this decade, illustrates what is taking place in Borg-Warner, and the course of its future as a multi-national organization.

A recent article in a national journal defines a "world corporation" as one whose foreign sales are more than 25 per cent of the total, and with "global



### Emergence of a world corporation

In the 1960 decade Borg-Warner evolved into a world corporation, having major product groups with global responsibility and a steady growth of sales outside the United States. The chart shows that sales of Borg-Warner goods and services to non-U. S. customers has grown from \$35 million in 1960, 6 per cent of the corporate total, to \$298 million in 1969, more than 27 per cent. Of this amount about \$200 million was produced abroad, the rest exported from U. S. plants.



00 major facilities in which the company has 49 per cent or greater ownership. More than half are now outside the United States.

product divisions" rather than one international division handling all foreign sales. By this definition, Borg-Warner crossed that mark in 1969, planning new ventures to manufacture and market products of its automotive, industrial, air conditioning and chemical know-how in several foreign lands. However, plans to become such an organization have been under way for a decade, accelerated in

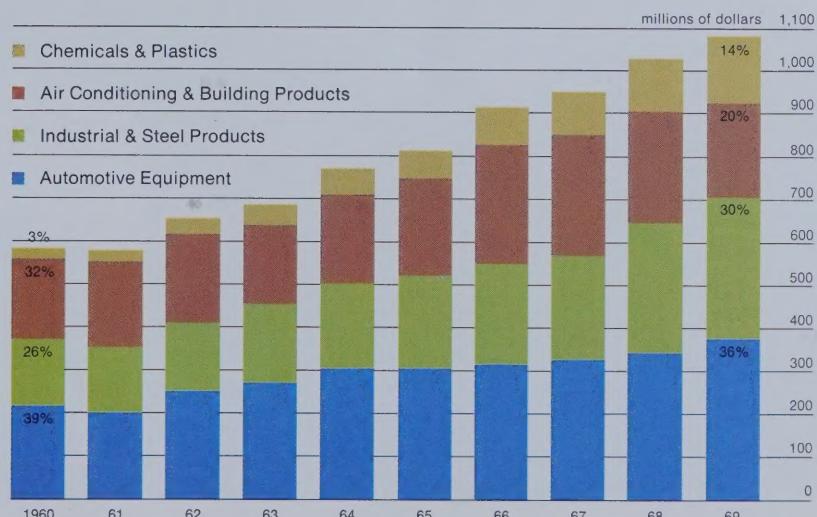
recent years with capital investment and strengthening of the organization to put the plan in motion. It will be accelerated still more in the future.

An essential part of Borg-Warner's strategy for world expansion is to be a citizen-partner, making use of the talents of local people, the materials, capital and other assets of the country where the

new business is to be established, and then adding the Borg-Warner know-how and a share of the investment with the goal of building the local economy as well as making a profit as the business prospers. As this policy is understood and wins acceptance, it should help attract new foreign partners and contribute to future success in world marketing.

#### Toward the goal of a balanced product mix

A major corporate goal for Borg-Warner is to achieve true diversification of its sales and production among major product areas. Since 1960, sales of automotive equipment have grown 71 per cent, but the percentage has dropped, while growth of other lines has been at a faster rate. The outstanding example is the chemicals and plastics group, which had sales of \$20 million or 3 per cent of the total in 1960, and \$155 million or 14 per cent in 1969, or growth of almost 700 per cent.



*Opened only in 1966, Borg-Warner chemical plant at Amsterdam, Holland, is undergoing a major expansion to meet rapidly-growing demand in Europe*



## **Chemicals and plastics again fastest growing of the product groups**

*William A. Suiter, Group Vice President for Chemicals and Plastics, at Marbon Division*



The fastest-growing of Borg-Warner's product groups, Chemicals and Plastics boosted sales by 21 per cent in 1969. Earnings grew at a commensurate rate, reflecting the higher sales volume and more efficient operations from recently-built facilities.

The group manufactures and markets a growing array of plastic and other resins; petrochemicals and chemicals for plating; plastic pipe and fittings; warning devices and specialty fabrics; and custom molding machinery.

### **Cycolac sales grow**

Again the group increased sales of its major product, Cycolac® ABS resins, the leading brand of widely-used ABS thermoplastics. Major markets for this product include interior and exterior automotive parts, boats, recreational vehicles, furniture, communications equipment, sporting goods, and housewares. Marbon began to expand its capacity to produce Cycolac ABS at facilities in the U. S. and Marbon International expanded plants in Europe and Japan.

Significantly, the trend is developing toward large structural applications, where as much as 100 pounds or more of Cycolac is used in a single product. One example is the boating industry, where it is challenging conventional materials.

Added to the list of boats with Cycolac hulls were the 15-foot Kayot Invincible runabout; the Tomboy, a family "fun boat" from the United Kingdom, and the Spark and Minnie dinghies from Italy. Strong, lightweight and easy to maintain, Cycolac boat hulls also are made virtually

unsinkable with the addition of foamed plastic materials for added buoyancy.

Another growing market is recreational vehicles, where Cycolac ABS is being used increasingly in such products as camper trailers, snowmobiles and all-terrain vehicles. Citroen, a French car maker, began U. S. marketing of its Mehari, the first production vehicle with an all-ABS body. The utility vehicle's 143-pound body consists of 11 all-Cycolac parts from resin produced by Marbon at its plant in Holland.

To help create consumer awareness of Cycolac's qualities, Marbon has arranged for the Good Housekeeping seal and its guarantee to be awarded to products whose claim for Cycolac's properties are verified by the Good Housekeeping Institute.

### **Chemical diversification**

The group also continued to broaden its product base. It developed new materials for the rapidly-growing clear plastic bottle market; new compounds of high modulus glass filled thermoplastics; expandable ABS materials for automotive, furniture and other applications; and new electroplatable resins. Fabricated products include a nylon-reinforced vinyl carpeting for the institutional market; marine buoys; and a flush toilet for recreational vehicles. Borg-Warner Machines expanded its line with polyurethane foam and plastic injection foam machines.

During the year, the group completed the acquisition of Weston Chemical, a producer of stabilizers, flame retardants, plasticizers and chelators, located at Morgantown, W. Va.





Plans to air condition Expo 70 are checked by Teisuke Nagano (left), Executive Vice President of Mitsubishi-York, water-chilling system supplier, and Setsuo Tamai, Expo's Public Utility Director

Group Vice President A. C. Menke (left), and Executive Vice President S. J. Roush, view new bank air conditioned by York equipment



## Air conditioning and refrigeration sales and profits increased for the sixth consecutive year

Divisions now in the air conditioning and building products group boosted combined sales 14 per cent over 1968, exclusive of sales of Norge Division, which was sold in July of that year.

Sales of York Division were up at the highest rate. For the divisions now part of the group, 1969 marked the sixth consecutive year of increased sales and profits.

The world-wide demand for air conditioning and industrial refrigeration products continued at a strong pace in 1969, despite depressed domestic housing construction.

### Full-line supplier

York, one of the three largest manufacturers in the industry, supplies a broad range of equipment for air conditioning and refrigeration applications, to the construction, automobile, and other industries.

In addition, the Ingersoll-Humphryes Division is a leading supplier of plumbing fixtures to the building trade. Ingersoll-Humphryes and York benefited from the growth of the home remodeling and apartment markets, which offset the decline in housing starts.

### World marketing improved

Two major developments should improve York's position in its international markets: the relocation of the York International Division and a joint venture in Germany with Brown, Boveri & Cie A.G. The International Division, now located at the York, Pennsylvania headquarters of the York Division, will consolidate the supervision of overseas manufacturing and marketing operations. The joint venture with Brown Boveri, with a manufacturing facility near Mannheim, West Germany, is expected to improve York's penetration of the fast-growing European market.

As an indication of its growing strength, York last year received contracts overseas that included central station air conditioning installations for projects including: the Paris Nord Airport, the United Nations Office Building and International Conference Center in Geneva, the Government Office in Kuala Lumpur, the Elsburg Goldmine in South Africa, the Unified Government Building and Ministry of Defense Building in Seoul, and the Mecca Conference Center in Saudi Arabia.

Domestically, York made progress in several areas. It started production of a number of new refrigeration and air conditioning lines. The division also increased sales of roof-top air conditioning units for heating and cooling as well as ice making equipment to hotels, motels, and fast food chain outlets. It expanded its program to sell roof-top units or small tonnage central station equipment to manufacturing plants employing less than 100 people. It also enlarged a successful door-to-door canvasser program to increase sales in the "add-on" residential market and has made measurable progress in reducing the seasonal character of its air conditioning business.

### Plumbing expansion

After successfully test-marketing its one-piece fiberglass tub-and-shower units on the West Coast, Ingersoll-Humphryes completed arrangements to have the units manufactured in Tennessee, Kansas, Pennsylvania and Washington and plans to add additional points in 1970. The program will reduce shipping costs and speed delivery of the units to builders.





Iron ore loading facility at Tubarao Port, Brazil, is typical of bulk materials handling systems designed and installed by Stephens-Adamson Division. Also

Robert O. Bass, Executive Vice President for Industrial Equipment group, in Chicago



## Power transmission line broadened by acquisition of Stephens-Adamson

Sales of industrial equipment, the most diversified product group, increased 8 per cent over 1968. Earnings declined, primarily because of downturns in aerospace contracts and farm equipment production. The steel group increased sales 18 per cent and moved into the profit column after two years of heavy start-up expenses for new facilities.

### New industrial division

The industrial group was diversified through merger with Stephens-Adamson Mfg. Co., Aurora, Ill., adding a well established line of bearings to our power transmission products. It also enabled Borg-Warner to enter the bulk

materials handling market on a world-wide basis.

Byron Jackson Pump Division made further progress as the leading producer of large nuclear and centrifugal pumps. A new joint venture in Turkey, Byron Jackson Pompalari A. S., will produce pumps in a new plant built to serve the growing Middle East market. In addition, the company acquired a substantial interest in Thompsons (Castlemaine) Ltd., Australia's largest pump firm, whose pump line complements Byron Jackson's.

In other significant developments Byron Jackson received the first U. S. order for pumps with the sole function of controlling thermal pollution. It also received an order for main-line pumps for the 800-mile Trans-Alaska Pipeline that will serve Alaska's North Slope.



maker of components, the division serves world markets from plants in U.S., Canada, Mexico and Australia.

#### Other industrial activity

Byron Jackson Inc., the oil well tools and services division, continued to expand its development of acid and stimulation systems to improve recovery from older wells. The division opened an Alaskan service facility, developing materials to complete wells at frigid temperatures.

Morse Chain broadened its power transmission lines and entered new U.S. and European markets. Borg-Warner Controls increased sales of its Accuspede® variable frequency drives, entering several entirely new markets.

Borg-Warner Educational Systems set up a national dealer network to market its System 80™ audio-visual teaching system, after completing a successful evaluation in inner-city schools.

Borg-Warner Health Products licensed a Canadian manufacturer to produce its hospital beds. The division also began leasing its patient room furniture through Borg-Warner's finance subsidiary.

Ingersoll Products expects increases in sales of agricultural discs in 1970. Because of lower aerospace spending, Weston Hydraulics is shifting emphasis to products for general aircraft.

#### Progress in steel group

Calumet and Ingersoll Steel divisions began to realize the expected benefits from their new continuous and pressure casting facilities, and of their new rolling mills. Ingersoll continued to penetrate the stainless market, and Franklin Steel added new furnaces and bought a new plant facility.

Howard J. Davis, Group Vice President—Steel, at Calumet Steel Division, Chicago Heights



Automotive components manufactured at Borg-Warner (Australia) Limited in New South Wales, move through Sydney en route to Australian manufacturers



## **Higher sales, profit and capacity highlight year for automotive equipment group**

Despite a decline in domestic passenger car production in 1969, Borg-Warner's world-wide automotive equipment sales increased 12 per cent. This performance reflects the company's continuing growth overseas and the increasing importance of recreational vehicles and other non-passenger car markets in the U.S. Operating earnings increased at a rate commensurate with sales.

Borg-Warner's original equipment and replacement parts are widely used in passenger cars, trucks, off-the-road and farm equipment, boats, aircraft, recreational vehicles and industrial machines. Most of the products are transmissions and other drive-line components.

The company is the leading independent producer of automatic transmissions for foreign-made cars and trucks, a rapidly growing market. Its plants in Muncie, Indiana; Letchworth, England; and Fairfield, Australia; now supply automatics for more than 80 models of foreign cars and trucks.

### **Capacity expanded**

Two ventures started in 1969 should further strengthen this position. Aisin-Warner KK, owned jointly with Aisin-Seiki Company Ltd., expects to have a new plant in operation in 1971. It will have the capacity to produce 300,000 automatic transmissions a year for the Japanese auto industry. Negotiations are presently under way to form a second venture, ZF/Borg-Warner, with Zahnradfabrik Friedrichshafen A.G. Plans call for a new plant of similar capacity to supply automatics to manufacturers of passenger cars and light trucks on the Continent.

Transmission capacity in Europe was increased with the start-up of production of sub-assemblies at a satellite plant at Kenfig, South Wales, and expansion of Letchworth. Also, output of automatic transmission components began at the expanded plant of Borg-Warner Stieber in Heidelberg.

During the year, Borg-Warner became a partner in Lemfoerder-Warner Mechanic, a joint venture to make hydraulic products and universal joints in West Germany. The acquisition of Thomson & Scougall Industries further diversified the activities of Borg-Warner (Australia) Ltd. and protected that subsidiary's requirements for malleable iron for axles. To enlarge capacity for replacement transmission gears for the auto after-market, the New Bedford Gear Division was established in a newly acquired Massachusetts plant. Several domestic facilities supplying products for a variety of markets also were expanded.

### **Product innovation**

The company introduced a record number of products in early 1969. Additional products for growing markets were developed during the year, including three scheduled for production: a full-time four-wheel drive system for cars and trucks, for which the company has its first contract; a skid-steer transmission for all-terrain vehicles, already ordered by at least six manufacturers, and a V-drive marine transmission set for production in the summer.

The company broadened its line of parts for recreational vehicles through the acquisition of a maker of carburetors for snowmobiles, outboard motors, all-terrain vehicles and chain saws.

*Group vice presidents Alfred A. Krueger (left), automotive products, and John C. Oesterle, transmission products, at Detroit's Cobo Hall*





*Development work on automatic transmissions  
for any car or van in the free world  
can be performed at new Engineering Centre  
at Borg-Warner Limited, Letchworth, England*

*Dr. Donald W. Collier, Vice President for  
Research, with educational system, including  
lesson materials, from Borg-Warner R&D*

## **Increased research and development investment keeps Borg-Warner in step with advancing technology**

Company spending on corporate and divisional research and development increased more than 12 per cent in 1969 to a new record level. During the past five years, expenditures on R&D, including product engineering, have risen at about twice the rate of corporate sales during the same period.

Activities are carried on at the corporate research center in Des Plaines, Illinois, and at the divisions—domestic and overseas—where most of the research, development and engineering is done. The objectives are to improve and expand present product lines to meet current market requirements and to anticipate future opportunities based on changes in technology and customer needs.

### **New facilities**

In keeping with the company's growth, most R&D activities have been centered in the United States. As manufacturing and marketing operations have grown world-wide, however, the company's R&D activities overseas also have been expanded. As a result, Borg-Warner

scientists and engineers overseas are making increasing contributions to product development and are adding to the pool of know-how available throughout Borg-Warner.

Research facilities were expanded at several divisions last year. Borg-Warner Limited completed an engineering center at its Letchworth headquarters that more than doubled its development facilities. It has played a key role in adapting Borg-Warner automatic transmissions to more than 80 foreign-made cars and trucks. The Transmission Division is developing new and improved units designed to help maintain Borg-Warner leadership in this growing world market.

York constructed test facilities at its headquarters for compressors, air flow devices, air conditioners, and heat pumps. The division plans to build two facilities in 1970 to test new large-capacity equipment lines and also will construct additional automotive compressor test facilities. The automotive products on which development was completed included those mentioned earlier as introduced during the year.



### **New products developed**

The Development Division, which serves the chemicals and plastics group, acquired additional facilities at its West Virginia headquarters. Progress was made in developing more expandable ABS materials for furniture and other uses and in developing additional ABS materials for cold forming containers, automotive parts and other products.

In air conditioning, the company continued its long-range program to extend its technology in the field of total environment control. Of more immediate interest, York also continued its pioneering work in controlling and reducing noise levels in its products.

The industrial equipment group developed a number of products. These included a new line of motor speed controllers with special application for the European market, additional powered pipe-handling equipment for off-shore oil well drilling, circulating pumps for use in industrial and refinery applications and additional patient-care products now being evaluated by hospitals and nursing homes.



Bronson Gentry headed campaign to build this new Detroit school. Now he enrolls these students to help keep it new and sparkling.

## Borg-Warner benefits from good work of its employee citizens

Like most companies, Borg-Warner tries to be a good "corporate citizen." But while corporations can give money to support worthy projects, it is people who must supply the talent and energy that make these projects work. Borg-Warner is proud of the contributions of many of its employees to many good causes.

An outstanding example is Bronson Gentry. In 1969 he received from George Romney, Secretary of Housing and Urban Development, a \$5000 award from the Lane Bryant Foundation for service to the Detroit community. Projects he has initiated have significantly reduced crime and vandalism. In part as a result of his leadership, his neighborhood has better recreation areas, a pool and fieldhouse, and the new school shown above. He has developed good rapport with neighborhood youth. Also in 1969 Mr. Gentry, an employee of Borg & Beck Division, won from the Detroit

Police Department its "Good Citizen" Award for outstanding community service. Although hardly typical, Mr. Gentry is one of many hundreds of employees of Borg-Warner, from hourly employees through top management, who take more than a passing interest in the work to be done by individual citizens in welfare, health, community relations and government. Many serve as volunteer workers or trustees of hospitals; as fund raisers of united funds, colleges and other cooperative endeavors. Borg-Warner's Chairman serves as a regional leader for the National Alliance of Businessmen, along with other unpaid jobs for the community.

The role of the Corporation is primarily to encourage such activities as part of its role in society. Happily, there is a bonus not only in the resulting community improvements, but in the personal development of the employees themselves.

## All Borg-Warner records were topped in 1969: Sales, earnings and earnings per share

All operating records for Borg-Warner established in prior years were broken in 1969. Net sales, operating profit, earnings before taxes, net earnings, and earnings per share of common stock reached new high levels for the company.

**Net sales** of \$1,086,973,000 put us in the select billion-dollar-sales club for the first time, although when sales of Stephens-Adamson, acquired in 1969, are added to the 1968 total to show the comparison on a pooling of interest basis, they are re-stated as \$1,027,740,000. Sales increased 5.8 per cent over the 1968 level. However, if 1968 sales of Norge Division, sold in July 1968, were deducted to compare the sales of units now part of Borg-Warner, the increase would be 12.4 per cent.

**Operating profit** rose 12.2 per cent, to \$105,939,000 compared with \$94,454,000 in 1968. This gain reflects improved results from chemicals and plastics, automotive, air conditioning, steel and some industrial equipment operations.

**Interest costs** were up 36 per cent, partly because of a higher level of both short- and long-term debt and in part because of the higher cost of money. The net charge to earnings, \$9,083,315, compared with \$6,695,396 in 1968.

**Earnings before taxes** of \$103,142,000 were 12.2 per cent above the 1968 level and over twice the rate of increase in net sales. Earnings of B-W Acceptance Corporation, up 58 per cent over 1968, helped offset higher interest cost.

**The income tax provision** was increased 20 per cent over 1968 to \$51,094,000, as compared to \$42,561,000 that year. The effective tax rate was 49.5 per cent, compared with a rate of 46.2 per cent in 1968. The tax provision in 1968 was lower because of a tax advantage arising from the disposition of Norge Division, and a higher investment tax credit.

The Tax Reform Bill of 1970 reduced the investment tax credit from \$1,928,000 in 1968 to \$1,300,000 in 1969.

**Net earnings** of \$52,048,000 for 1969 were increased 5.2 per cent over the re-stated \$49,476,000 net earnings of 1968, and also were ahead of the previous record of \$47,178,000 established in 1966. Net earnings for both 1969 and 1968 include results of Stephens-Adamson Mfg. Co., acquired in 1969, on a pooling of interest basis.

**Earnings per share** of \$2.65 were 6.4 per cent above the re-stated \$2.49 of the year 1968, and also were a record. The increase was at a higher rate than that of net earnings, because of a slight reduction in average shares outstanding from the prior year. Earnings per share for both years, 1969 and 1968, are calculated on a fully-diluted basis to reflect future conversion of all the outstanding preferred stock issued to acquire the former Stephens-Adamson Mfg. Co.

In spite of higher interest charges and higher taxes, the return on net sales was 4.8 per cent, the same as in 1968. Return on average shareholders' equity was up slightly, from 9.6 per cent in 1968 re-stated, to 9.8 per cent in 1969. This is the second consecutive increase in this figure and the highest return since 1966.

### Financial condition strong

Cash flow for 1969 of \$82.9 million, or \$4.22 per share, was also at a record high, and compared with \$78.7 million in 1968 or \$3.96 per share.

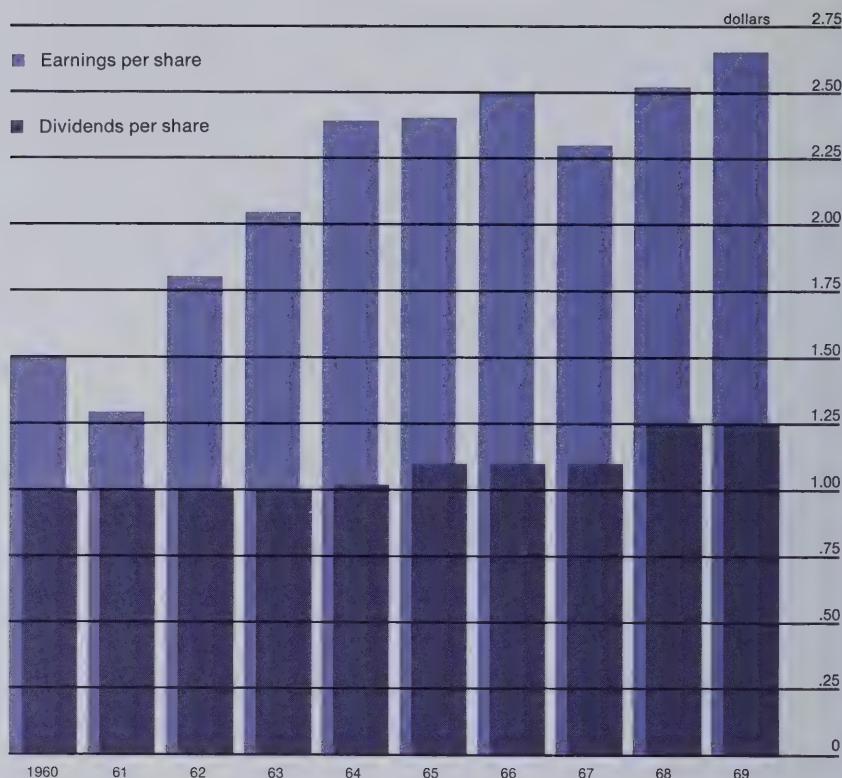
Net working capital at the year end was \$313.0 million compared with \$296.2 million a year earlier, and the current ratio was 2.40 to 1 compared with 2.73 to 1 at the end of 1968. Shareholders' equity grew to a record \$544 million, or \$27.49 per share, from \$528 million or \$26.10 at the end of 1968.



James J. Gavin, Jr., Vice President-Finance, and Treasurer William M. Valiant on a visit to Chicago's LaSalle Street area

Assistant Controller Gordon F. Hegwood and Frederic C. Kautz, Assistant Treasurer, confer in Corporate Headquarters office





### Growth of share earnings in a decade

Earnings per share of Borg-Warner common stock have increased 77 per cent in ten years, from \$1.50 in 1960 to the record \$2.65 of 1969, although the latter figure is shown on a fully-diluted basis. Earnings since 1964 have been penalized by large investments in the future, discussed elsewhere in this Report, to increase the company's earning power. Dividends paid to holders of common stock in the ten-year period are slightly more than half the total earnings per common share.

As noted in the chart on Page 27, total capital expenditures for 1969 were \$51.5 million, bringing the total invested in the past five years to \$269.4 million, more than twice the spending of the previous five-year period.

A part of the improvement in operating results in 1969 came from new equipment installed under this program, and more is anticipated in the future. Although the amount was above 1968 levels, a large backlog of projects was carried over into 1970, and capital spending is expected to exceed \$60 million this year.

### Overseas debt now long-term

During the year we converted the short-term debt overseas to less costly long-term financing. Early in 1969, Borg-Warner had \$47 million of such loans, borrowed to finance the expansion of overseas operations, and a plan to replace this with long-term debt was carried out, including:

A seven-year bank term loan in Swiss francs, \$5 million; a public issue of Eurobonds, \$15 million; a public issue of Deutschmark bonds, \$27 million; and

parallel financing in pounds sterling for the United Kingdom, \$10 million.

This program increased long-term debt overseas by \$57 million, taking Borg-Warner completely out of the high-cost short-term Eurodollar market, with a slight surplus for some near-term capital requirements.

### B-WAC strong contributor

As noted, B-W Acceptance Corporation, Borg-Warner's finance subsidiary, had an excellent year in 1969, its fourth consecutive record year in spite of high interest rates and a leveling-off of consumer installment purchases.

Gross earned income of the subsidiary was \$25.3 million, 37 per cent higher than in 1968, and net income after taxes of \$2.4 million was 58 per cent above 1968's \$1.5 million on a comparable basis.

B-WAC is diversifying its business into new areas, including commercial and consumer financing for the fast-growing recreational vehicle markets; the leasing of a wide range of equipment, some of it produced by Borg-Warner; and other finance-related services.

### Land development subsidiary

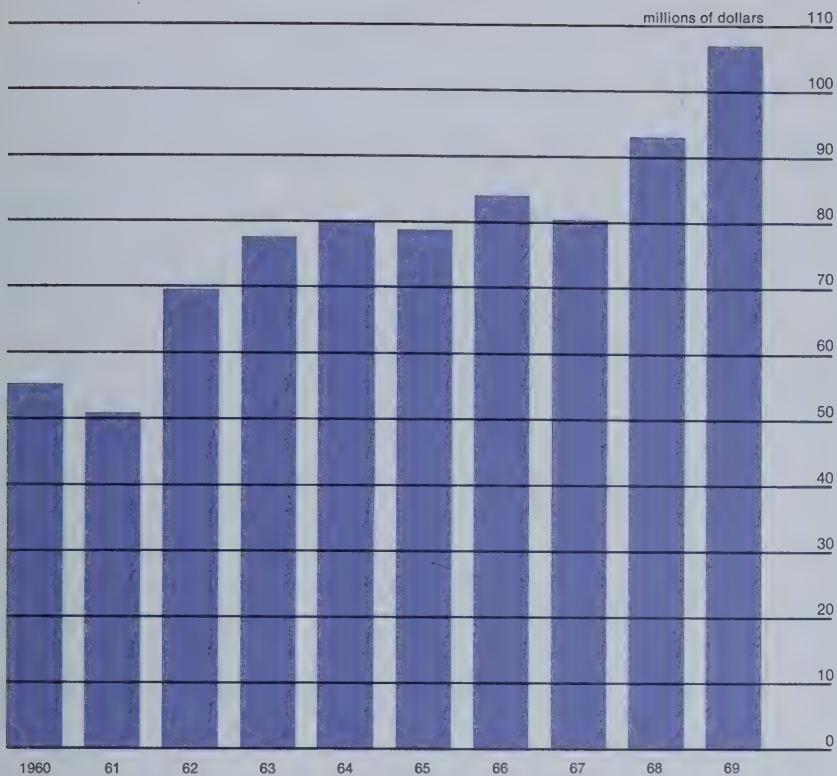
Borg-Warner Equities Corporation, a new subsidiary in the land development and equity financing field, was formed in 1969, with initial capitalization authorized at \$5 million.

It has made a substantial investment in a company developing an 1,800-acre tract in a large Southwestern city, and is seeking opportunities to invest in other land development or real estate ventures. Although not a primary objective, some opportunities for Borg-Warner's air conditioning and building products group may grow out of this activity.

### Acquisitions completed

Effective in June 1969, the merger with Stephens-Adamson Mfg. Co. was completed, with Borg-Warner exchanging 350,000 shares of \$4.50 cumulative convertible preferred stock for the assets of the company. Each share of the preferred stock is convertible into 2½ shares of Borg-Warner common stock, or a total of 875,000 shares.

Stephens-Adamson has been operated since its acquisition as a division of the



### Operating profit doubled in ten years

The growth of operating profit—the amount earned by a business from sale of goods and services before deducting the cost of borrowing and the current cost of taxes—is a good measure of the viability of a manufacturing enterprise. In the past decade, despite adverse conditions in some business areas and heavy capital investments to increase future earning power, Borg-Warner almost doubled operating profit. In 1969 it was up 12.2 per cent over 1968, double the increase in sales.

industrial equipment group. Its sales and earnings are included with those of Borg-Warner on a pooling of interest basis for the full years 1969 and 1968.

On December 30, 1969, the capital stock of the Tillotson Manufacturing Company, a maker of carburetion equipment for recreational vehicles, was purchased for cash. Tillotson is included in the consolidated balance sheet for December 31, 1969, but no operating results are reflected in the earnings statement for 1969. This acquisition is accounted for as a purchase, and results will be reflected in the statements starting January 1, 1970. Tillotson will be operated as part of the automotive group.

### A stronger financial group

In 1969 Borg-Warner's financial departments were reorganized to better support the corporate and divisional executive officers in their job of planning, coordinating and controlling company operations.

Changes include strengthening the financial planning and cash management functions, establishment of group

controllers, and strengthening of the accounting and financial analysis departments.

Management was authorized to step up a program to buy shares of Borg-Warner common stock. It has been buying to acquire the stock for incentive programs. In September the directors approved a plan to purchase up to 500,000 shares, to meet future needs for acquisitions to avoid dilution. As shown on Page 24, \$13.4 million was spent in 1969 for the purchase of treasury stock.

### Effect of plumbing products suit

In October 1966 a Federal Grand Jury returned an indictment against the Corporation and other manufacturers of plumbing fixtures, charging violations of the Sherman Anti-Trust Law. A companion government civil suit also has been filed, seeking injunctive relief and damages, and is still pending. Five other corporations and five individuals covered in this indictment, including a former Borg-Warner employee, pleaded *nolo contendere* and were sentenced.

On May 2, 1969, Borg-Warner, two other

manufacturers and three individuals, who had pleaded "not guilty" to these charges, were found guilty. The trial court fined Borg-Warner \$50,000, but has suspended payment of the fine, pending appeal. Because we believe that our representatives followed often-stated company policy in complying fully with the Anti-trust laws, and were not guilty of the criminal charges, the Corporation is appealing, as are the other defendants.

A total of 192 treble damage suits, for unspecified amounts of damages, have been filed against Borg-Warner and other manufacturers of plumbing fixtures. Certain of the private suits are alleged to be class actions which include public bodies, private builders and other alleged classes, and in which other plaintiffs have intervened. Borg-Warner's share of the sales of plumbing fixtures which are the subject of this entire group of suits is about 5 per cent.

Based on the opinion of legal counsel, management believes the ultimate effect of these suits will not have a materially adverse effect on the Corporation's financial position or earnings.

## Statement of Earnings

	Year ended December 31	1969	1968
Net sales		\$1,086,972,507	\$1,027,739,736
Cost and expenses:			
Cost of sales, excluding depreciation	825,647,793	787,169,164	
Depreciation	30,813,159	29,215,378	
Selling, general and administrative expenses	124,572,253	116,900,777	
	981,033,205	933,285,319	
Operating profit		105,939,302	94,454,417
Other expenses (income):			
Interest, net	9,083,315	6,695,396	
B-W Acceptance Corporation pre-tax earnings (Note 1)	(5,020,693)	(3,169,606)	
Gain on sale of plants, etc.	(682,513)	(1,245,771)	
Miscellaneous, net	(582,840)	137,234	
	2,797,269	2,417,253	
Earnings before income taxes		103,142,033	92,037,164
Provision for income taxes (Note 5):			
Currently payable	50,017,000	39,312,000	
Deferred	1,077,000	3,249,000	
	51,094,000	42,561,000	
Net earnings	\$ 52,048,033	\$ 49,476,164	
Net earnings per share of common stock (fully diluted) (Note 12)		\$2.65	\$2.49

See accompanying notes to financial statements.

## Statement of Retained Earnings

	Year ended December 31	1969	1968
Amount at beginning of year		\$437,156,716	\$411,906,987
Net earnings		52,048,033	49,476,164
	489,204,749	461,383,151	
Deduct:			
Dividends declared:			
Preferred stock	1,175,834	None	
Common stock	23,129,557	23,415,036	
Pooled company before acquisition	522,246	811,399	
	24,827,637	24,226,435	
Excess of cost over stated value of preferred shares retired		34,762	None
	24,862,399	24,226,435	
Amount at end of year (Note 6)		\$464,342,350	\$437,156,716

See accompanying notes to financial statements.

**BORG-WARNER CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**Balance Sheet** December 31, 1969 and 1968

<b>ASSETS</b>	<b>1969</b>	<b>1968</b>
<b>Current assets:</b>		
Cash	\$ 16,253,115	\$ 24,654,179
Securities, at cost which approximates market	15,765,790	17,290,346
Receivables, less provision for possible losses:		
1969, \$5,047,479; 1968, \$5,821,902	206,379,937	170,026,748
Inventories (Note 2)	282,271,545	240,341,561
Prepayments (Note 5)	15,809,200	15,150,077
<b>Total current assets</b>	<b>536,479,587</b>	<b>467,462,911</b>
<b>Investments and advances</b> , principally unconsolidated subsidiaries (Note 1)	<b>74,355,903</b>	<b>52,505,235</b>
<b>Property, plant and equipment</b> , at cost less accumulated depreciation (Note 4)	<b>320,919,995</b>	<b>291,892,729</b>
<b>Deferred charges</b> , less amortization	<b>16,188,248</b>	<b>9,010,042</b>
<b>Excess of cost of acquisition of subsidiaries</b> over underlying net assets acquired, less amortization	<b>990,788</b>	<b>1,266,413</b>
	<b>\$948,934,521</b>	<b>\$822,137,330</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current liabilities:</b>		
Notes payable	\$ 67,319,934	\$ 52,007,835
Accounts payable	64,507,564	54,517,898
Dividends payable	6,162,983	5,860,540
Accrued expenses	52,667,444	38,094,302
Provision for income taxes	32,776,193	20,788,237
<b>Total current liabilities</b>	<b>223,434,118</b>	<b>171,268,812</b>
<b>Provision for warranties and special purposes</b>	<b>8,861,632</b>	<b>7,251,295</b>
<b>Deferred income taxes</b> (Note 5)	<b>15,850,550</b>	<b>14,739,158</b>
<b>Long-term debt</b> (Note 6)	<b>150,610,484</b>	<b>94,625,467</b>
<b>Minority shareholders' interest in consolidated subsidiaries</b>	<b>6,421,934</b>	<b>6,041,929</b>
<b>Shareholders' equity:</b>		
Capital stock:		
Preferred stock, liquidation preference \$34,772,300 (1968, \$34,987,300) (Note 7)	<b>2,173,269</b>	<b>2,186,706</b>
Common stock (Notes 7 and 8)	<b>48,691,625</b>	<b>48,578,303</b>
Capital in excess of par value (Note 9)	<b>54,293,263</b>	<b>53,566,203</b>
Retained earnings (Note 6)	<b>464,342,350</b>	<b>437,156,716</b>
	<b>569,500,507</b>	<b>541,487,928</b>
Less treasury common stock, at cost (Note 7)	<b>25,744,704</b>	<b>13,277,259</b>
<b>Total shareholders' equity</b>	<b>543,755,803</b>	<b>528,210,669</b>
<b>Commitments and contingent liabilities</b> (Notes 10 and 11)		
	<b>\$948,934,521</b>	<b>\$822,137,330</b>

See accompanying notes to financial statements.

**Statement of Source and Use of Funds**

	Year ended December 31	1969	1968
<b>Source of Funds:</b>			
From operations:			
Net earnings	\$ 52,048,033	\$ 49,476,164	
Charges to income not requiring funds:			
Depreciation	30,813,159	29,215,378	
Provision for deferred taxes	1,077,000	3,249,000	
Funds provided by operations	83,938,192	81,940,542	
Sale of Norge Division property, etc.	—	8,451,548	
Increase in long-term debt	55,985,017	675,005	
Proceeds from common stock issued under stock option plans	1,882,902	5,459,260	
	<b>141,806,111</b>	96,526,355	
<b>Use of Funds:</b>			
Dividends declared	24,827,637	24,226,435	
Capital expenditures	51,474,586	45,362,325	
Purchase of 461,642 common shares for the treasury (244,350 shares in 1968)	13,445,752	7,822,042	
Increase in investments and advances (principally unconsolidated subsidiaries)	21,850,668	17,570,706	
Net increase in other items	13,356,270	3,194,805	
	<b>124,954,913</b>	98,176,313	
Increase (decrease) in working capital	<b>\$ 16,851,198</b>	\$ (1,649,958)	

See accompanying notes to financial statements.

## Notes to Financial Statements

### 1. Principles of Consolidation

The accompanying financial statements include all subsidiaries except South American subsidiaries, the investments in which are carried at cost, and B-W Acceptance Corporation, the investment in which is carried at the amount of the underlying net assets. During 1969, the company changed the basis of carrying its investments in approximately 50%-owned companies from cost to the amount of the underlying net assets and the financial statements for 1968 have been restated correspondingly. Net earnings for 1969 and 1968 and retained earnings at December 31, 1967 were not materially affected by such change.

At December 31, 1969, the Company's interest in the underlying net assets of unconsolidated subsidiaries and affiliates exceeded the carrying value of its investments therein by \$3,650,000 (\$3,760,000 in 1968). Dividends received from such companies amounted to \$1,000,000 in 1969 (none in 1968).

During 1969, the Company acquired companies in pooling of interests transactions in exchange for 349,873 and 158,104 shares of Series A preferred stock and treasury common stock, respectively, and, accordingly, the accompanying financial statements have been restated to include the accounts of such companies for both years.

The net assets as of December 31, 1969 and 1968 and net earnings for the years then ended of the consolidated foreign subsidiaries included in the accompanying financial statements at appropriate rates of exchange are summarized as follows:

	1969	1968
Current assets	\$106,803,749	\$ 85,568,047
Plant, equipment and other assets	79,320,582	66,851,738
<b>Total assets</b>	<b>186,124,331</b>	<b>152,419,785</b>
Current liabilities	(58,231,392)	(69,701,652)
Non-current liabilities	(22,363,787)	(7,808,589)
<b>Net assets before minority interests</b>	<b>105,529,152</b>	<b>74,909,544</b>
Minority interests	(6,421,934)	(6,041,929)
<b>Company's equity in net assets</b>	<b>\$ 99,107,218</b>	<b>\$ 68,867,615</b>
<b>Company's equity in net earnings</b>	<b>\$ 5,972,397</b>	<b>\$ 5,282,335</b>

### 2. Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and are summarized at December 31, 1969 and 1968 as follows:

	1969	1968
Raw material	\$ 48,256,064	\$ 37,952,296
Work in process	119,579,289	91,299,523
Finished goods	103,991,478	103,498,281
Supplies	10,444,714	7,591,461
	<b>\$282,271,545</b>	<b>\$240,341,561</b>

### 3. B-W Acceptance Corporation

Balance sheets of B-W Acceptance Corporation (wholly-owned) as of December 31, 1969 and 1968 follow in condensed form:

	1969	1968
Current assets, primarily notes receivable	\$187,825,292	\$156,898,750
Current liabilities, primarily notes payable	142,934,682	117,586,933
Net current assets	44,890,610	39,311,817
Other assets	1,039,059	748,084
Long-term debt, including indebtedness to Borg-Warner (1969, \$3,000,000; 1968, \$7,000,000)	(18,000,000)	(24,500,000)
<b>Net shareholder's equity</b>	<b>\$ 27,929,669</b>	<b>\$ 15,559,901</b>
<b>Comprising:</b>		
Capital stock	\$ 20,000,000	\$ 10,000,000
Retained earnings	7,929,669	5,559,901
	<b>\$ 27,929,669</b>	<b>\$ 15,559,901</b>

### 4. Property, Plant and Equipment

Property, plant and equipment as of December 31, 1969 and 1968 consist of the following:

	1969	1968
Land	\$ 11,432,515	\$ 10,109,095
Buildings	141,234,939	127,290,980
Machinery and equipment	319,320,139	289,195,042
Construction in progress	19,515,504	14,633,025
	<b>491,503,097</b>	<b>441,228,142</b>
Less accumulated depreciation	170,583,102	149,335,413
<b>Net property, plant and equipment</b>	<b>\$320,919,995</b>	<b>\$291,892,729</b>

Depreciation is recorded principally on a straight-line basis.

### 5. Income Taxes

Provision has been made for the deferred taxes applicable to the excess of depreciation deducted for income tax purposes over that charged to earnings, less the future tax benefits arising from accruals and reserves not yet deducted for tax purposes. Deferred taxes applicable to current assets and liabilities are included in prepayments; all other deferred taxes, net, are shown as non-current liabilities. The current provision for income taxes has been reduced by \$1,300,000 and \$1,928,000 in 1969 and 1968, respectively, for investment tax credits accounted for under the flow-through method.

### 6. Long-Term Debt

Details of long-term debt are as follows:

	1969	1968
3 3/8% sinking fund debentures, due 1974, less debentures held in the treasury	\$ 4,842,000	\$ 4,854,000
5 1/2% sinking fund debentures, due 1992	75,000,000	75,000,000
7 1/2% bonds, due 1984	27,322,000	—
8% debentures, due 1979	14,250,000	—
8% note due insurance company, due 1985	10,000,000	—
Notes payable to banks, various rates to 8%	13,360,000	8,948,000
Mortgages and other, various rates to 8%	5,836,000	5,823,000
	<b>\$150,610,000</b>	<b>\$ 94,625,000</b>

As long as any of the 3 3/8% sinking fund debentures are outstanding, the Company must meet certain minimum financial requirements before paying cash dividends on the common stock or repurchasing any of its capital stock. These requirements are presently exceeded by substantial margins.

Required payments on long-term debt, in annual amounts, are as follows:

1971-\$ 7,043,000	1974-\$ 6,519,000
1972- 10,469,000	1975- 7,674,000
1973- 8,184,000	After 1975- 110,721,000

### 7. Capital Stock

Details of shares of capital stock outstanding at December 31, 1969 and 1968 are as follows:

	Authorized	Issued	In treasury
Preferred stock, no par value: \$4.50 Cumulative Convertible, Series A:	4,997,850		
1969		347,723	
1968		349,873	
Common stock, \$2.50 par value:	35,000,000		
1969		19,476,650	958,068*
1968		19,431,321	535,079*

\*Excluding shares held for distribution under Contingent Compensation Plan: 1969, 47,000 shares (\$1,414,732); 1968, 22,896 shares (\$699,505).

## Notes to Financial Statements (Continued)

The preferred stock, Series A, has a stated value of \$6.25 a share and an involuntary liquidation value of \$100 a share. Cumulative cash dividends are payable thereon at the annual rate of \$4.50 per share, payable quarterly. This stock is convertible, at the option of the holder, into two and one-half shares of common stock of the Company. Of the preferred shares originally issued, 568 were repurchased and 1,582 were converted during 1969.

### 8. Stock Options

Of the options granted to officers and key employees under restricted stock option plans, there were outstanding at December 31, 1969, options expiring at various dates through 1979 for the purchase of common shares at prices ranging from \$21.0625 to \$31.375 per share, which prices represent market value at dates of grant. A summary of the changes during 1969 follows:

	Number of shares	Aggregate option price
Shares under option at December 31, 1968	418,220	\$10,437,104
Options granted, less cancellations	40,707	1,200,584
Options exercised	(80,028)	(1,882,902)
Shares under option at December 31, 1969	378,899	\$9,754,786

At December 31, 1969, options on 247,199 shares were exercisable and 715,100 shares were available for future option grants.

### 9. Capital in Excess of Par Value

Capital in excess of par value increased during 1969 by \$866,998, representing the excess of exercise price over par value of common shares issued under stock option plans, less \$65,841, representing the excess of cost over the exercise price of 38,653 shares of treasury stock issued under stock options, and \$74,097 of other charges.

### 10. Commitments and Contingent Liabilities

The Company, through a joint venture with another corporation, has entered into a long-term lease with Cos-Mar, Incorporated, 50% owned by the Company, in respect of certain manufacturing facilities. Such lease requires average annual payments of approximately

\$1,500,000 by each of the joint venturers over the initial thirteen-year term beginning July 1, 1968. Borg-Warner and subsidiaries lease assets under other long-term leases for which the aggregate annual rentals approximate \$1,900,000.

The company has guaranteed the \$20,000,000, 5½% Notes, due 1981, of Cos-Mar, Incorporated and borrowings of unconsolidated foreign subsidiaries and affiliates approximating \$3,540,000.

Reference is made to the comments in the Financial Review on Page 21 of this report concerning legal action against the Company as a member of the plumbing fixtures industry. In the opinion of management, this litigation and other contingent liabilities consisting of various contested claims are not expected to materially affect financial position or earnings.

### 11. Pensions

The Company and subsidiaries have a number of pension funds covering substantially all employees, including certain employees in foreign countries. Earnings have been charged in the amount of approximately \$8,126,000 for the year ended December 31, 1969 and \$12,167,500 for the preceding year with respect to such pension retirement plans. This expense includes amortization of prior service costs over a 30-year period as to most of the plans. The Company's policy is to fund pension costs accrued. In the case of some of the plans, the actuarially computed value of vested benefits at December 31, 1969 exceeded the market value of the related pension funds by approximately \$19,700,000.

A change during 1969 in the assumptions included in the actuarial cost method used in computing pension costs had the effect of decreasing pension expense by approximately \$3,000,000 and increasing net earnings for the year by approximately \$1,420,000.

### 12. Primary and Fully Diluted Net Earnings Per Share

Fully diluted net earnings per share (corresponding also to primary earnings per share) were based on the weighted average number of shares of common stock and common stock equivalents outstanding during each year. For purposes of this calculation, both outstanding stock options and Series A preferred stock were considered as common stock equivalents.

## Accountants' Report

### PEAT, MARWICK, MITCHELL & CO. CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders  
Borg-Warner Corporation:

We have examined the balance sheet of Borg-Warner Corporation and consolidated subsidiaries as of December 31, 1969 and the related statements of earnings, retained earnings, and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Borg-Warner Corporation and consolidated subsidiaries at December 31, 1969 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, as restated (see note 1 to notes to financial statements). Also, in our opinion, the accompanying statement of source and use of funds presents fairly the information shown therein.

Chicago, Illinois  
February 23, 1970

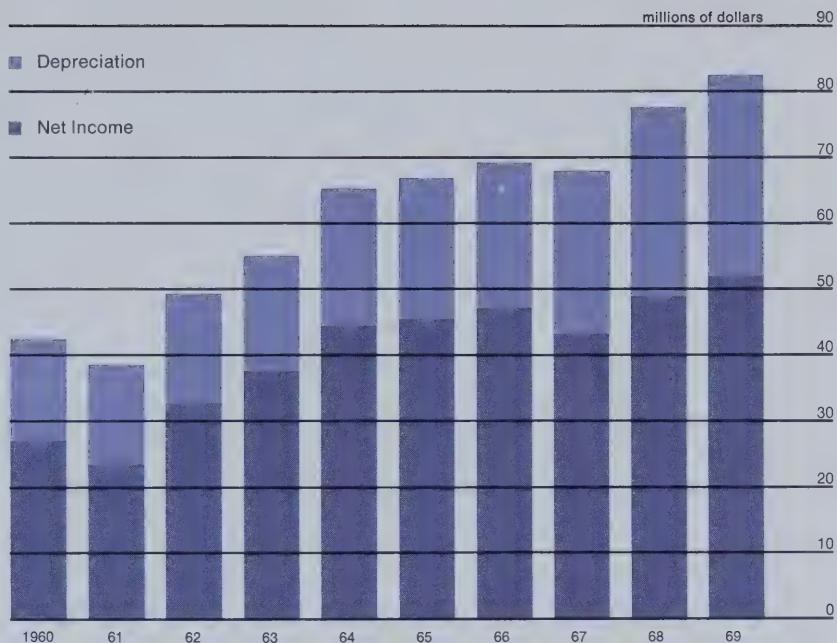
*Peat, Marwick, Mitchell & Co.*

## Financial summary for 1960 decade shows growth, investment in future

Borg-Warner's ten-year financial summary for the decade of the 1960s is on the following pages. Charts below highlight some of the more significant statistics.

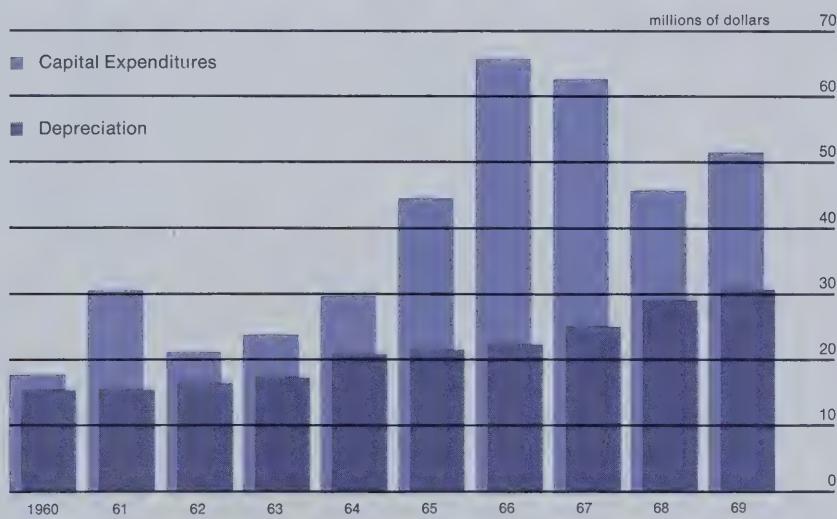
### Cash flow for 10 years \$619 million

Cash flow, the sum of net income plus depreciation, provides funds to pay dividends and to re-invest in the business to expand or modernize plants and equipment, conduct research, develop new products or markets, and otherwise invest in the future. These sources provided \$82.9 million in 1969, almost double the 1960 cash flow. Ten-year total was \$619 million.



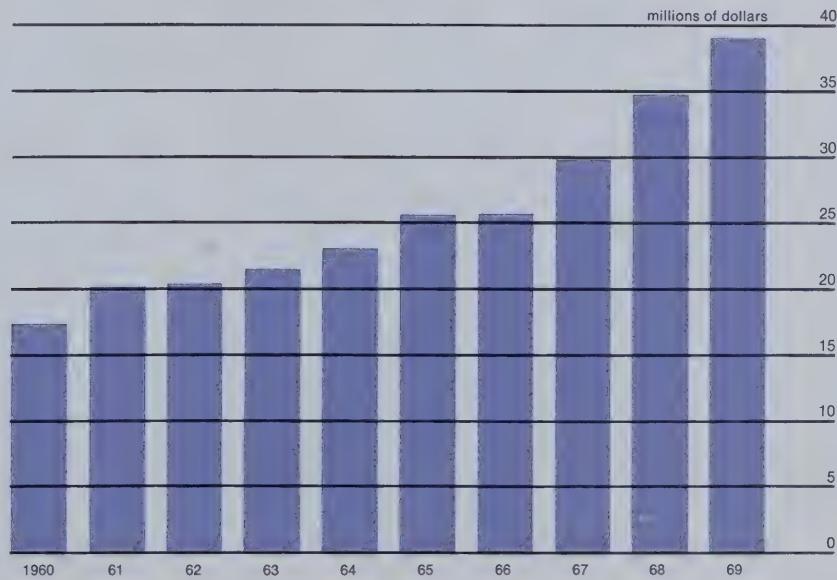
### Capital investment for a growing company

Depreciation, funds set aside to replace tools, plant and equipment, must be augmented by other sources in a growing company. Borg-Warner capital investments for the past ten years were \$392.6 million, \$215.5 million from depreciation. The great bulk of this spending, \$269.4 million, was in the last five years, and was more than double the depreciation.



### Research: Investment for tomorrow

Spending for research, development and engineering to improve products is another form of investment for the future. Funds used for these purposes increased from \$17.4 million in 1960 to \$39.1 million in 1969, an increase of 125 per cent, and the total for the decade was \$258.1 million. Borg-Warner's reputation for engineering technology is a great asset, and is one reason for management's optimistic goals for future internal growth. Some current R & D projects are described on Pages 16 and 17 of this Report.



## Ten Year Comparative Financial Summary



<b>OPERATING DATA</b>	Year ended December 31	<b>1969</b>	19
(in thousands, except per share data)			
Net sales	\$1,086,973	\$1,027	
Operating profit	105,939	94	
Earnings before income taxes	103,142	92	
Income taxes	51,094	42	
Net earnings	52,048	49	
Per common share <sup>(2)</sup>	2.65		
Dividends	24,828	24	
Per common share paid	1.25		
Percent of net earnings to net sales	4.8%	4	
Capital expenditures	51,475	45	
Depreciation	30,813	29	
Research, development and engineering expense	39,061	34	
 <b>BALANCE SHEET</b>			
December 31			
(in thousands)			
Current assets	\$ 536,479	\$ 467	
Current liabilities	223,434	171	
Net working capital	313,045	296	
Current ratio	2.40 to 1	2.73	
Property, plant and equipment, net	320,920	291	
Long-term debt	150,610	94	
Shareholders' equity	543,756	528	
Return on average equity	9.8%	9	
Book value per common share (in dollars)	27.49	2	
Average number of common shares outstanding (thousands) <sup>(2)</sup>	19,623	19	
Number of shareholders at year end	65,700	66	
Average number of employees	41,550	39	

1967	1966	1965	1964	1963	1962	1961	1960
951,970	\$913,026	\$815,059	\$773,081	\$688,547	\$658,924	\$584,722	\$586,879
80,098	83,991	77,891	78,927	77,349	66,736	47,249	53,897
78,433	86,678	80,647	81,197	79,515	68,529	49,782	55,858
35,225	39,500	35,268	36,653	41,800	35,525	26,350	28,650
43,208	47,178	45,379	44,544	37,715	33,004	23,432	27,208
2.30	2.50	2.41	2.39	2.05	1.81	1.29	1.50
21,383	25,994	20,818	19,224	18,526	18,393	18,211	18,236
1.10	1.10	1.10	1.02	1.00	1.00	1.00	1.00
4.5%	5.2%	5.6%	5.8%	5.5%	5.0%	4.0%	4.6%
62,427	65,668	44,492	29,652	23,844	21,324	30,493	17,856
25,068	22,317	21,800	20,972	17,607	16,701	15,556	15,524
29,932	25,819	25,792	23,144	21,638	20,475	20,028	17,413
1967	1966	1965	1964	1963	1962	1961	1960
450,248	\$413,290	\$384,167	\$371,227	\$322,242	\$300,430	\$278,318	\$277,388
164,340	189,437	133,547	123,380	92,528	89,309	75,839	70,471
285,908	223,853	250,620	247,847	229,714	211,121	202,479	206,917
2.74 to 1	2.18 to 1	2.88 to 1	3.01 to 1	3.48 to 1	3.36 to 1	3.67 to 1	3.94 to 1
265,150	229,110	189,487	168,122	135,423	131,882	128,743	116,021
87,439	4,941	4,977	7,443	9,995	13,070	14,866	16,870
483,563	466,905	447,343	422,820	386,067	362,673	345,930	338,562
9.1%	10.3%	10.4%	11.0%	10.1%	9.3%	6.8%	8.1%
25.84	24.68	23.55	22.27	20.53	19.50	18.70	18.40
18,757	18,834	18,736	18,506	18,230	18,071	17,891	17,865
67,900	69,900	65,300	63,200	63,600	63,400	61,300	59,500
38,850	38,200	35,850	35,500	33,400	33,500	30,800	31,700

(1)Amounts for 1968 have been restated to reflect the 1969 acquisitions treated as poolings of interest and the change from the cost to equity basis of accounting for investments in approximately 50% owned companies.

(2)For 1969 and 1968, based upon common shares and common share equivalents (see note 12 to financial statements).



## CHEMICALS & PLASTICS

WILLIAM A. SUITER, *Group Vice President*  
 THOMAS E. RONAY  
*Vice President, Development Division*  
 RHODA M. STEWART  
*Vice President, Administrative Services*

## BORG-WARNER MACHINES DIVISION

Fremont, Ohio  
 J. W. HENDRY, *Vice President and General Mgr.*  
 Custom molding equipment for plastic and rubber  
**COS-MAR COMPANY**  
 Carville, La. (50%)  
 J. M. BLACK, *Plant Mgr.*  
 Styrene monomer

## FABRICATED PRODUCTS DIVISION

Chicago, Ill.; Kansas City and Martin City, Mo.;  
 Garden Grove and Los Angeles, Calif.;  
 Scottsburg, Ind.; Dothan, Ala.  
 E. L. HARTZ, *President and General Mgr.*  
 Plastic pipe and fittings, warning devices, specialty  
 fabrics and yarns, Vinyl-Weve carpeting

**MARBON CHEMICAL (AUSTRALIA) PTY. LTD.**  
 Dandenong, Victoria, Australia (55%)  
 H. MICHAEL SPENCER, *General Mgr.*  
 Plastic resins



## AIR CONDITIONING AND BUILDING PRODUCTS

STANLEY J. ROUSH, *Executive Vice President*  
 ALLEN C. MENKE, *Group Vice President*  
**BROWN, BOVERI-YORK PRODUKTION und  
EXPORT GmbH**  
 Mannheim, West Germany (51%)  
 DR. HANS WENGLER, *Mgr.*  
 Air conditioning and refrigeration equipment

## CELO PRODUCTS DIVISION

Borg-Warner (Canada) Limited  
 Galt, Ontario, Canada (100%)  
 HAROLD W. LEE, *President and General Mgr.*  
 Brass and copper fittings

## INGERSOLL-HUMPHRIES DIVISION

Mansfield, Ohio; Torrance, Calif.  
 FLOYD W. FENNELL, *President and General Mgr.*  
 Plumbing fixtures and fittings;  
 plastics fabrications

**LE FROID INDUSTRIEL BRISONNEAU-YORK, S.A.**  
 Paris, France (50%)  
 ANDRE NEUENSCHWANDER, *General Mgr.*  
 Air conditioning and refrigeration equipment

**MITSUBISHI-YORK, LTD.**  
 Tokyo, Japan (49%)  
 T. NAGANO, *Vice President*  
 Air conditioning and refrigeration equipment



## INDUSTRIAL AND STEEL PRODUCTS

### Industrial Equipment Group

ROBERT O. BASS, *Executive Vice President*

**BORG-WARNER CONTROLS DIVISION**  
 Santa Ana, Calif.  
 WILLIAM L. COOK, *President and General Mgr.*  
 Adjustable speed AC and DC drives, magnetic  
 tape recorders, uninterruptible power systems

**BORG-WARNER EDUCATIONAL SYSTEMS**  
 Niles, Ill.  
 PETER SHRECK, *General Mgr.*  
 Educational systems

**BORG-WARNER HEALTH PRODUCTS DIVISION**  
 Chicago, Ill.  
 BLAZ A. LUCAS, JR., *President and General Mgr.*  
 Patient room furniture, health care equipment

**BYRON JACKSON ARGENTINA, S. A.**  
 Godoy Cruz, Mendoza, Argentina (51%)  
 B. F. RENTZEL, *General Mgr.*  
 Centrifugal pumps

**BYRON JACKSON CO., S. A.**  
 Mexico City, Mexico (100%)  
 RAFAEL TORRES, *Vice President and General Mgr.*  
 Centrifugal pumps, oil well tools,  
 agricultural discs

## BYRON JACKSON DIVISION

Borg-Warner (Canada) Limited  
 Toronto, Ontario, Canada (100%)  
 J. L. MESCHINO, *Vice President and General Mgr.*  
 Centrifugal pumps

## BYRON JACKSON-HIDROSTAL, S. A.

Lima, Peru (50%)  
 MARTIN STAHL, *Managing Director*  
 Deepwell turbine pumps

## BYRON JACKSON, INC.

Long Beach and Los Angeles, Calif.; Keokuk, Iowa;  
 Houston, Texas (100%)  
 JOHN B. MERRITT, *President and General Mgr.*  
 Oil well tools and services, industrial and  
 marine rubber products

## BYRON JACKSON N. V.

Eetten-Leur, North Brabant, Holland (100%)  
 P. J. R. SCHOONDERBEEK, *Managing Director*  
 Centrifugal pumps

## BYRON JACKSON POMPALARI A. S.

Ismir, Turkey (60%)  
 B. D. TURNER, *Executive Director*  
 Deepwell turbine pumps

## BYRON JACKSON PUMP DIVISION

Los Angeles, Calif.; Tulsa, Okla.  
 JOHN P. ADAMS, *President and General Mgr.*  
 Centrifugal pumps, nuclear pumps,  
 submersible motors

## BYRON JACKSON-RIVA S.p.A.

Milano, Italy (65%)  
 GIANFRANCO UCELLI, *President*  
 Centrifugal pumps

## BJ SERVICE ARGENTINA, S. A.

Buenos Aires, Argentina (100%)  
 JOSE A. ESTEVES, *General Mgr.*  
 Oil well tools and services

## BJ SERVICE (AUSTRALIA) PTY. LTD.

Brisbane, Australia (51%)  
 J. K. ENGEL, *Mgr.*  
 Oil well tools and services

## BJ SERVICE DIVISION

Borg-Warner (Canada) Limited  
 Calgary, Alberta, Canada (100%)  
 J. S. MCKAY, *Mgr.*

Oil well service, oil tools, rubber products

## BJ SERVICE, N. V.

The Hague, The Netherlands (100%)  
 H. BERGMAN, *Managing Director*  
 Oil well tools, oil well services

## CONTROLS DIVISION

Borg-Warner Limited, Wiltshire, England (100%)  
 E. S. HARRIS, *Division Mgr.*  
 Variable frequency drives

## INDUSTRIA METALMECANICA

**INGERSOLL-APOLO S. A.**  
 Medellin, Colombia (50%)  
 J. URIBE BOTERO, *President*  
 Agricultural discs



## AUTOMOTIVE EQUIPMENT

### Automotive Group

ALFRED A. KRUEGER  
*Group Vice President*

**AUTOMOTIVE PARTS DIVISION**  
 Franklin Park, Ill.  
 F. E. PILLING, *President and General Mgr.*  
 Distributor of automotive replacement parts

**BORG & BECK DIVISION**  
 Detroit, Mich.; Chicago and Ottawa, Ill.  
 HENRY C. MILLER, *President and General Mgr.*  
 Clutches, torque converters, brake controls,  
 oil coolers, dampers

**BORG & BECK DE MEXICO, S. A.**  
 Mexico City, Mexico (55%)  
 FRANCISCO J. GUTIERREZ S., *General Director*  
 Automotive clutches

## BORG & BECK DE VENEZUELA, S. A.

Caracas, Venezuela (51%)  
 TOMAS FLEISCHER, *General Mgr.*  
 Automotive clutches

## BORG-WARNER DE MEXICO, S. A.

Mexico City, Mexico (100%)  
 JAMES de GOMAR, *General Mgr.*  
 Distribution of Borg-Warner automotive parts

## BORG-WARNER DO BRASIL

Sao Paulo, Brazil (100%)  
 LEON GATTEGNO, *President and General Mgr.*  
 Automotive clutches, spin resistant differentials,  
 friction materials

## BORG-WARNER STIEBER GmbH

Heidelberg, Germany (100%)  
 ARTHUR J. WELCH, *President*  
 Special machines, clamping tools, one-way  
 clutches, steel and friction plates for automatic  
 transmissions

## BRUMMER SEAL DIVISION

Chicago Heights, Ill.  
 ARTHUR J. WELCH, *Chairman*  
 JAMES F. NIBLICK, *President and General Mgr.*  
 Seals for automotive and other uses

## LONG MANUFACTURING DIVISION

Borg-Warner (Canada) Limited  
 Oakville, Ontario, Canada (100%)  
 J. H. McCREERY, *President and General Mgr.*  
 Automotive radiators, oil coolers

## MARVEL-SCHEBLER DIVISION

Decatur and Dixon, Ill.; Ballwin and Sullivan, Mo.  
 F. E. PILLING, *President and General Mgr.*  
 Carburetors, fuel and electrical devices,  
 automotive replacement parts, tune-up equipment,  
 nuclear control mechanisms

## MECHANICS DIVISION

Rockford, Ill.  
 CLARENCE E. JOHNSON,  
*President and General Mgr.*  
 Universal joints and drive line assemblies

## NSK-WARNER K.K.

Fujisawa, Japan (50%)  
 SUGIJIRO OHTANI, *Managing Director*  
 One-way clutches and thermostatic fan controls

## ROCKFORD CLUTCH DIVISION

Rockford, Ill.  
 C. ROGER GREENE, *President and General Mgr.*  
 Heavy-duty mechanical and hydraulic clutches,  
 torque converters, hydraulic controls

## CORPORATE FACILITIES

**BORG-WARNER CORPORATE HEADQUARTERS**  
 200 S. Michigan Ave., Chicago, Ill. 60604

## B-W ACCEPTANCE CORPORATION

4001 W. Devon Ave., Chicago, Ill. 60646 (100%)  
 ROBERT E. LaROCHE, *President and General Mgr.*  
 Finance company

## BORG-WARNER EQUITIES CORPORATION

200 S. Michigan Ave., Chicago, Ill. 60604  
 STANLEY J. ROUSH, *President*  
 Land development and equity financing

Principal divisions and subsidiaries are listed below, with Borg-Warner percentage of ownership of subsidiaries in parentheses. Although some units serve several industries, each is listed in product group where it does its largest share of business.

#### MARBON DIVISION

Washington, W. Va.; Baytown, Tex.;  
Ottawa, Ill.; Gary, Ind.; Oxnard, Calif.  
R.W. HOWARD, President and General Mgr.  
Cycloac® and other plastic resins, adhesives, latex,  
paint and rubber resins and petrochemicals,  
Purafil® odoroxidant, plating chemicals

#### MARBON DIVISION

Borg-Warner (Canada) Limited  
Cobourg, Ontario, Canada (100%)  
W.F. PATIENT, Plant Mgr.  
Plastic resins

#### MARBON EUROPE

Amsterdam, Havens-West, Holland (100%)  
Plants: Amsterdam, Holland;  
Grangemouth, Scotland  
A.L. LEIGH, Managing Director  
Headquarters: European Chemical Operations  
Plastic resins and latices

#### MARBON INTERNATIONAL DIVISION

Chicago, Ill.  
HOWARD H. IRVIN, President and General Mgr.  
Headquarters, Overseas Chemical Operations

#### UBE CYCON, LTD.

Tokyo, Japan (49%)  
H. TAWARADA, President  
Plastic resins

#### WESTON CHEMICAL COMPANY

Morgantown, W. Va.  
G.P. HEATHCOTE, President  
Organic phosphates

#### RECOLD DE MEXICO, S.A.

Durango, DGO, Mexico (100%)  
JOHN R. WALSH, Chairman and President  
JORGE VILLALBA, General Mgr.  
Air conditioning and refrigeration equipment

#### YORK DIVISION

Borg-Warner (Australia) Limited  
Gladesville, Australia (75%)  
JOHN VIMPANI, General Mgr.  
Air conditioning and refrigeration equipment

#### YORK DIVISION

Borg-Warner (Canada) Limited (100%)  
Rexdale, Ontario, St. Jerome, Quebec, Canada  
J.E. DEMPSEY, General Mgr.  
Air conditioning, heating and  
refrigeration equipment, ice machines

#### YORK DIVISION

Borg-Warner Limited  
London and Basildon, England (100%)  
R.H. HEMMINGS, Managing Director  
Air conditioning and refrigeration equipment,  
ice machines

#### YORK DIVISION

York, Pa.; Los Angeles, Calif.; Decatur, Ill.;  
Walterboro, S.C.  
GERARD V. PATRICK, Chairman of the Board  
and President  
Air conditioning, heating, ice machines, refrigeration  
equipment, automotive air conditioning  
components

#### YORK INDIA LTD.

Faridabad (Haryana), India (50%)  
P.D. BHAIYA, Director  
Air conditioning and refrigeration equipment

#### INGERSOLL-AGROMETAL SOCIEDAD ANONIMA COMERCIAL E INDUSTRIAL

Monte Maiz, Cordoba, Argentina (50%)  
JOSE LAUDI, President  
Agricultural discs

#### INGERSOLL PRODUCTS DIVISION

Chicago, Ill.  
M.R. McLARY, President and General Mgr.  
Electronic enclosures, agricultural discs and  
hard-faced tillage components

#### MORSE CHAIN DIVISION

Ithaca, N.Y.; Denver, Colo.  
E.D. ROBINSON, Chairman  
J.V. MOYNES, President and General Mgr.  
Industrial power transmission components,  
automotive timing chains

#### MORSE CHAIN DIVISION

Borg-Warner (Australia) Limited  
Punch Bowl, N.S.W., Australia (75%)  
CHARLES W. SHIVER, Executive Mgr.  
Industrial and automotive power  
transmission components

#### MORSE CHAIN DIVISION

Borg-Warner (Canada) Limited  
Simcoe, Ontario, Canada (100%)  
J.V. MOYNES, President  
Automotive and industrial power  
transmission components, timing chain

#### MORSE CHAIN DIVISION

Borg-Warner Limited  
Letchworth, Herts., England (100%)

#### SPRING DIVISION

Bellwood, Ill.  
ARTHUR J. WELCH, Chairman  
JAMES F. NIBLICK, President and General Mgr.  
Precision stampings; one-way clutches, friction  
materials, commutators and other assemblies for  
automotive, aircraft and industrial equipment

#### THE TILLOTSON MANUFACTURING COMPANY

Toledo, Ohio (100%)  
F.E. PILLING, President  
Carburetors and fuel filters

#### TRAVEL INDUSTRIES, INC.

Oswego and Coffeyville, Kan.; Radford, Va. (100%)  
E.J. COONS, JR., Chairman  
GEORGE J. WIESE, President  
Recreation vehicles

#### Transmission Products Group

770 S. Adams Rd., Birmingham, Mich.  
JOHN C. OESTERLE  
Group Vice President  
W.GORDON TURNBULL  
Vice President—Transmission Manufacturing

N.C. HARRISON, Joint Managing Director  
Industrial and automotive power  
transmission components, timing chain

#### OVR-SEALMASTER S.p.A.

Torino, Italy (53%)  
G. PETTITI, Managing Director  
Ball bearings and pillow blocks

#### PESCO PRODUCTS DIVISION

Bedford, Ohio  
DONALD R. SPOTZ, President and General Mgr.  
Aerospace pumps and systems, electric motors,  
fans and blowers

#### STEPHENS-ADAMSON (AUSTRALIA) PTY. LTD.

Victoria, Australia (100%)  
C.W. SHIVER, Managing Director  
Bulk materials handling and conveying equipment

#### STEPHENS-ADAMSON DE MEXICO S. A. DE C. V.

Mexico, D.F. (100%)  
R.S. BAKER, President  
Bulk materials handling equipment and bearings

#### STEPHENS-ADAMSON DIVISION

Aurora, Ill.; Clarksville, Miss.  
E.D. ROBINSON, Chairman  
Bulk material handling systems, components,  
and services; ball bearing mounted units;  
spherical bearings; rod ends

#### STEPHENS-ADAMSON MFG. CO. OF CANADA, LTD.

Belleville, Ontario, Canada (100%)  
V.L. LEWIS, President  
Bulk materials handling equipment and bearings

ROBERT W. WAYMAN  
Vice President—Advance Transmission Engineering

ROBERT F. SCHUTZ  
Vice President/Controller—Transmission Products

#### AISIN-WARNER LIMITED

Kariya City, Japan (50%)  
MINOURI TOYODA, President  
ARTHUR J. WELCH, Senior Managing Director  
Automatic transmissions, torque converters,  
overdrives

#### BORG-WARNER (AUSTRALIA) LTD.

Fairfield, N.S.W., Australia (75%)  
JOHN FOURNIER, Managing Director  
Manual, automatic transmissions, axles and  
agricultural components. Parts and Service division:  
Rebuilt manual, automatic and marine  
transmissions and rear axles. Thomson and  
Scougall division: malleable and grey iron castings

#### BORG-WARNER S.A., PTY. LTD.

Uitenhage, C.P., Republic of South Africa (60%)  
DONALD W. GRINTER, Managing Director  
Automotive axles

#### TSUBAKIMOTO-MORSE CO., LTD.

Osaka, Japan (49%)  
SEIJI TOMIO, President  
Power transmission components

#### WESTON HYDRAULICS DIVISION

Van Nuys, Calif.; Oklahoma City, Okla.  
FRED O. HOSTERMAN, President and General Mgr.  
Hydraulic control system equipment for aerospace.  
Air conditioning, control valves for general aviation

#### Steel Group

HOWARD J. DAVIS  
Group Vice President

#### CALUMET STEEL DIVISION

Chicago Heights, Ill.  
JAMES MERTZ, President and General Mgr.  
Merchant and special quality bars, light  
structural shapes, fence post, reinforcing bars

#### FRANKLIN STEEL DIVISION

Franklin, Pa.  
JOHN F. O'TOOLE, President and General Mgr.  
Merchant bars and shapes, fabricated bar products,  
highway and fence posts, reinforcing bars

#### INGERSOLL STEEL DIVISION

New Castle, Ind.  
HAROLD G. INGERSOLL, JR.  
President and General Mgr.  
Cold rolled stainless sheet and strip, stainless  
plate, carbon and alloy steels, hand shovels

#### LEMOERDER-WARNER MECHANIC GmbH

Lemfoerde/Hann, West Germany (50%)  
DR. JUERGEN ULDERUP, General Mgr.  
Automotive and mobile equipment; propeller  
shafts; universal joints; hydraulic pumps, valves

#### NEW BEDFORD GEAR DIVISION

New Bedford, Mass.  
SPENCER H. MIERAS, President and General Mgr.  
Automotive transmission replacement gears

#### TRANSMISSION DIVISION

Borg-Warner Limited  
Letchworth, Herts., England; Kenfig, Wales (100%)  
C.W. HANZI, Joint Managing Director  
Automatic transmissions, spin resistant differentials

#### WARNER GEAR DIVISION

Muncie, Ind.  
SPENCER H. MIERAS, President and General Mgr.  
Automotive, truck, industrial and marine  
transmissions; synchronizers, overdrives

#### WARNER-MOTIVE DIVISION

Auburn, Ind.; Wooster, Ohio  
SPENCER H. MIERAS, President and General Mgr.  
Spin resistant differentials; gears; gearboxes;  
hydraulic pumps, valves; hydrostatic drives

BORG-WARNER INTERNATIONAL CORP.  
36 S. Wabash Ave., Chicago, Ill. 60603 (100%)  
Brussels, Geneva, San Juan, Singapore, Tokyo  
JAMES H. INGERSOLL, President  
International marketing, operations, licensing

BORG-WARNER RESEARCH CENTER  
Wolf and Algonquin Rds.  
Des Plaines, Ill. 60018

GOVERNMENT LIAISON OFFICE  
905 Sixteenth St., N.W., Suite 411  
Washington, D.C. 20006

**Policy Committee**, clockwise from Chairman  
 Robert S. Ingersoll, back to camera: Messrs. Gavin, Beré, Brown,  
 Mueller, Murphy, DuVall, Collier, James H. Ingersoll and Shattuck



**Operating Committee**, clockwise from Chairman  
 Beré, upper left: Messrs. Valli, Krueger, Oesterle, Valiant, Menke,  
 Roush, Bass, Ingersoll, Davis, Parsons, Suiter and Brown



## OFFICERS

ROBERT S. INGERSOLL, *Chairman and Chief Executive Officer*  
 JAMES F. BERÉ, *President*  
 ROBERT W. MURPHY, *Senior Vice President, General Counsel and  
 Chairman of Executive Committee*  
 ROBERT SHATTUCK, *Executive Vice President*  
 STANLEY J. ROUSH, *Executive Vice President*  
 ROBERT O. BASS, *Executive Vice President*  
 HOWARD J. DAVIS, *Group Vice President*  
 ALFRED A. KRUEGER, *Group Vice President*  
 ALLEN C. MENKE, *Group Vice President*  
 JOHN C. OESTERLE, *Group Vice President*  
 WILLIAM A. SUITER, *Group Vice President*  
 JAMES J. GAVIN, JR., *Vice President—Finance, and Controller*  
 JAMES H. INGERSOLL, *Vice President—International*  
 DONALD W. COLLIER, *Vice President—Research*  
 ROBERT A. BROWN, *Vice President—Management Services*  
 ANDREW W. ROSE, *Vice President*  
 WILLIAM M. VALIANT, *Treasurer*  
 RUSSELL J. PARSONS, *Secretary and Associate General Counsel*  
 THOMAS C. CRAVENS, JR., *Assistant Secretary*  
 GORDON F. HEGWOOD, *Assistant Controller*  
 FREDERIC C. KAUTZ, *Assistant Treasurer*

## POLICY COMMITTEE

ROBERT S. INGERSOLL, *Chairman*  
 JAMES F. BERÉ  
 ROBERT A. BROWN  
 DONALD W. COLLIER  
 JAMES J. GAVIN, JR.  
 JAMES H. INGERSOLL  
 DOUGLAS MUELLER  
 ROBERT W. MURPHY  
 ROBERT SHATTUCK  
 WILLIAM M. DU VALL, *Recording Secretary*

## OPERATING COMMITTEE

JAMES F. BERÉ, *Chairman*  
 ROBERT O. BASS  
 ROBERT A. BROWN  
 HOWARD J. DAVIS  
 JAMES H. INGERSOLL  
 ALFRED A. KRUEGER  
 ALLEN C. MENKE  
 JOHN C. OESTERLE  
 RUSSELL J. PARSONS  
 STANLEY J. ROUSH  
 WILLIAM A. SUITER  
 WILLIAM M. VALIANT  
 PETER C. VALLI, *Recording Secretary*

**Accountants**

*Peat, Marwick, Mitchell & Co.*

**Transfer Agents**

*Continental Illinois National Bank and Trust Company of Chicago  
First National City Bank, New York*

**Registrars**

*La Salle National Bank, Chicago  
Morgan Guaranty Trust Company of New York*

**Common Stock**

*Listed on New York Stock Exchange, Midwest Stock Exchange,  
Pacific Coast Stock Exchange*

**BOARD OF DIRECTORS**

ROBERT S. INGERSOLL, *Chairman and Chief Executive Officer*

JAMES F. BERÉ, *President*

EDMUND F. BALL, *President and Chairman, Ball Corporation, Muncie, Ind.*

CHARLES S. DAVIS, JR., *Management Consultant, Grosse Point Farms, Mich.*

GAYLORD DONNELLEY, *Chairman of the Board, R. R. Donnelley & Sons Company*

J. RUSSELL FORGAN, *Chairman of the Board, Glore Forgan, Wm. R. Staats Inc.*

GAYLORD A. FREEMAN, JR., *Chairman of the Board, The First National Bank of Chicago*

JAMES J. GAVIN, JR., *Vice President—Finance*

ROBERT P. GWINN, *President, Sunbeam Corporation, Chicago, Ill.*

WILLIAM G. KARNES, *President and Chief Executive Officer, Beatrice Foods Co., Chicago, Ill.*

GEORGE S. MOORE, *Chairman, First National City Bank, New York, N.Y.*

ROBERT W. MURPHY, *Senior Vice President and General Counsel*

LESTER G. PORTER, *Chairman of the Finance Committee*

ROBERT SHATTUCK, *Executive Vice President*

**COMMITTEES OF THE BOARD****Executive**

ROBERT W. MURPHY, *Chairman*

JAMES F. BERÉ

J. RUSSELL FORGAN

ROBERT S. INGERSOLL

LESTER G. PORTER

**Finance**

LESTER G. PORTER, *Chairman*

J. RUSSELL FORGAN, *Vice Chairman*

EDMUND F. BALL

GAYLORD DONNELLEY

GAYLORD A. FREEMAN, JR.

WILLIAM G. KARNES

GEORGE S. MOORE

**Compensation and Pension**

GAYLORD A. FREEMAN, JR., *Chairman*

WILLIAM G. KARNES, *Vice Chairman*

EDMUND F. BALL

J. RUSSELL FORGAN

ROBERT P. GWINN

GEORGE S. MOORE

LESTER G. PORTER

**Audit**

EDMUND F. BALL, *Chairman*

CHARLES S. DAVIS, JR.

GAYLORD DONNELLEY

LESTER G. PORTER



## BORG-WARNER CORPORATION

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